

APPENDIX Z

A-E PRICE PROPOSAL ANALYSIS

1. General. Technical, price and cost analysis will generally be performed on every A-E price proposal. The extent of the analysis and documentation depends on the dollar value and complexity of the proposal. For small actions (typically below the IGE threshold of \$100,000), the proposal analysis can be efficiently performed by annotating the A-E proposal.

2. Technical Analysis (FAR 15.404-1(e)). Technical analysis is the evaluation of the judgmental elements of a proposal and the approach for accomplishing the work. Technical analysis involves comparing the proposal with the IGE, and:

a. Evaluating the general approach for performing the work and any assumptions included in the proposal. Ensure that the proposal includes appropriate modern and cost-effective design methods (FAR 36.606(d)) and is based on reasonable efficiency and economy (FAR 15.404-1(e)).

b. Ensuring that all requirements in the SOW are addressed, and no unnecessary items are included.

c. Evaluating the design quality control plan, if required, to ensure that the firm is using procedures, practices and tools that will produce quality engineering and design services and products in accordance with ER 1110-1-12.

d. Ensuring that all Government-provided information and materials are considered in the proposal.

e. Evaluating the need for the proposed position classifications (types of disciplines with certain levels of expertise) and their mixture. Consider the relationship among management, professional, technician and drafting hours.

f. Evaluating the number of labor hours for each position classification for various tasks, products and/or phases of work.

g. Evaluating proposed subcontracting and how it interrelates with work done by the prime contractor. Ensure that all subcontractors have been approved by the selection board (FAR 36.606(e)).

h. Evaluating the need for and suitability of proposed special equipment and the hours of special equipment usage compared to the labor hours for using the equipment.

i. Reviewing the purpose and number of proposed trips, personnel traveling, origin and destination, and means.

j. Reviewing the type and amount of communications, postage, reproduction, materials and other direct costs.

3. Price Analysis (FAR 15.404-1(b)). Price analysis is the evaluation of the proposed total price, and the price of major phases or elements of work, without evaluating individual cost elements or profit. Price analysis includes, as appropriate, comparing the proposed price(s) to other similar contract actions, the IGE, and rough unit price yardsticks, such as dollars per drawing for designs or dollars per acre for surveying and mapping.

4. Cost Analysis (FAR 15.404-1(c)). Cost analysis is the review and evaluation of the separate cost elements and proposed profit to determine what the price of the contract should be, "assuming reasonable efficiency and economy." Also, the analysis "shall ensure that the effects of inefficient or uneconomical past practices are not projected into the future." Cost analysis includes (items a -l are appropriate for audit review):

a. Verifying labor rates, employee benefits and escalation factors, and evaluating their reasonableness.

b. Verifying the direct labor base.

c. Evaluating the reasonableness of the method for computing overhead rates. When a significant amount of the work is to be performed away from a firm's office, such as resident on-site construction support, overhead rates applied to that portion of the work should be evaluated separately.

d. Reviewing for any duplication between direct costs and overhead costs for items such as principals and managers, administrative personnel, travel, communications, reproduction, computer services, equipment, materials and supplies.

e. Evaluating the reasonableness of travel costs and other direct costs such as reproduction, computer services, laboratory tests, materials and supplies, using price quotes, catalog prices, other recent contracts, and other available data.

f. Determining the allowability of direct costs and overhead costs in accordance with FAR 31.205.

g. Determining the allocability of costs to the contract action for other offices of the firm.

h. Evaluating the rate for facilities capital cost of money.

i. Evaluating the percentage of Government business compared to total business, and the impact of the contract action on overhead rates.

j. Verifying conformance with Cost Accounting Standards (FAR 30) or generally accepted accounting practices.

- k. Identifying and evaluating the necessity and reasonableness of any contingencies (FAR 15.402(c) and 15.404-1(c)(2)(i)(A)).
- l. Verifying mathematical accuracy.
- m. Verifying that contract rates for the prime and subcontractors are being used for a task order under an ID contract.
- n. Verifying that labor rates for service employees (FAR 22.10) are at least equal to the WD by the DoL under the SCA, if the SCA is applicable to the contract.
- o. Comparing costs with other similar contracts and the IGE.
- p. Comparing the proposed profit amount with the profit amount determined by the Alternate Structured Approach to the Weighted Guidelines Method (EFARS 15.404-73-101).
- q. Determining that all necessary cost or pricing data has been submitted by the firm.
- r. Evaluating the extension of the allowable unit costs (such as labor rates, overhead rates, travel rates, printing costs) to total prices, considering the results of the technical analysis of the judgmental elements (such as labor hours, trips, and number of drawings).
- s. Evaluating compliance with the 6 percent statutory limitation (FAR 15.404-4(c)(4)(i)(B) and 36.606(a), DFARS 236.606-70, and EFARS 36.606-70(c)).